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Alberta ECONOMIC OUTLOOK

NOVEMBER, 1972

ALBERTA — FEDERAL AFFAIRS

The outcome of the **federal election** has created considerable uncertainty in the business community over future federal economic policies particularly in the areas of competition, foreign investment, taxation, and labour policy. There is concern that the direction of the **future economic policies** of a minority government may offset the present confidence and momentum in the Canadian economy.

Regardless of the election result, **consumer spending** should continue strong into 1973. A survey by Financial Times of Canada in October reports that selected department store sales increased in August by 21.1 per cent over that recorded for the same month last year. Sales of 1973 cars are at record breaking levels and sales of durable goods in some areas in Canada were such that supply could not fulfil the demand.

To July of this year, personal loans by chartered banks, consumer credit from department stores and total consumer credit from selected credit holders had risen by 23, 11.7 and 16.3 per cent, respectively, over the 1971 January to July period. The Canadian economy has and will continue to reflect changes in the expenditure activity of consumers in Canada. However, increases in demand, financed primarily by consumer credit, could represent a major cause of continuing inflationary pressures on the Canadian economy, again raising the spectre of wage and price controls.

Representatives from the housing industry in Canada feel there will be no significant change in **mortgage rates** for the near future. The stability of **interest rates** in general is also anticipated, due to an expected continuation of the neutral or slightly expansionary monetary policy of the Bank of Canada. Although in August mortgage loans by chartered banks increased by 33 per cent over August 1971 the expansion of the money supply has kept pace with the increased demand, leaving interest rates relatively unchanged. Mr. Blair Jackson, Executive Vice-President of the Canadian Real Estate Association, in an interview with The Financial Post, says it is unlikely that mortgage rates will ever approach 7 per cent again, but will probably range

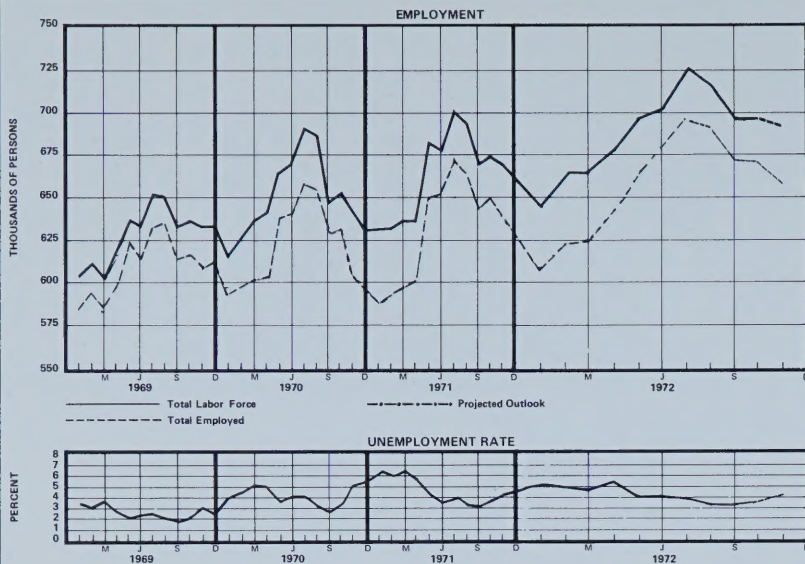
between 8 — 10 per cent in the future. Mr. D. C. Wilson, President of the Housing and Urban Development Association of Canada, in a statement made to The Toronto Globe and Mail, also feels that most rates will not reach 10 per cent in 1973, although some marginal increase in mortgage rates might occur.

The **Canadian dollar** is expected to weaken slightly against the U.S. dollar by the beginning of 1973. As a matter of fact, the value of the Canadian dollar has recently begun to decline due mainly it is believed to the uncertainties engendered by the prospect of a minority government. The main reasons for a decline in the longer term appears to be the recent strengthening of the U.S. dollar in most money markets; lower interest rates in Canada relative to the U.S. prompting net short-term capital outflows from Canada; and the continuing deterioration of the Canadian trade balance. If there are no major foreign capital borrowings by Canadian governments or corporations, the Canadian dollar should become substantially weaker in 1973. To prevent foreign borrowing of capital and retain relatively lower interest rates in Canada, several economists have argued for exchange controls on capital inflows. Some of the controls being suggested would restrict foreigners from buying Canadian commercial and finance company securities and depositing funds in Canadian dollar bank accounts.

PROVINCIAL AFFAIRS

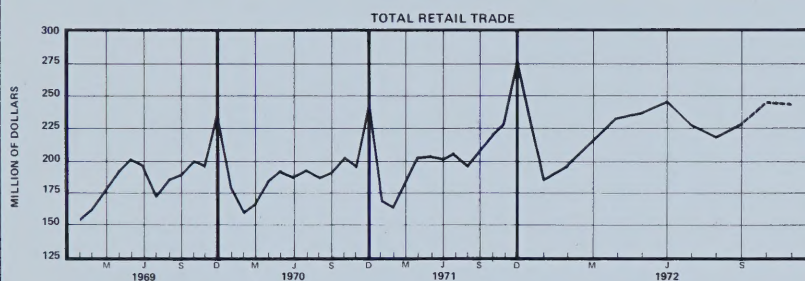
Lumber prices in Edmonton have reached an all time high and industry experts expect higher sales and prices for at least the first half of 1973. The increased lumber prices have resulted primarily from higher Canadian export demand, principally to satisfy the expanding needs of the construction industry in the U.S.

Alberta's 3,000 sheep and lamb producers have an optimistic outlook towards the prospects for their industry. Robert Shopland, Secretary of the Alberta Sheep and Wool Commission, reports that the demand for wool is the best in at least five years and the price per pound has risen to around 26 cents, an increase of 25 per cent. In addition, the price of lamb, currently at about 23 cents per pound, is expected to increase and remain strong.



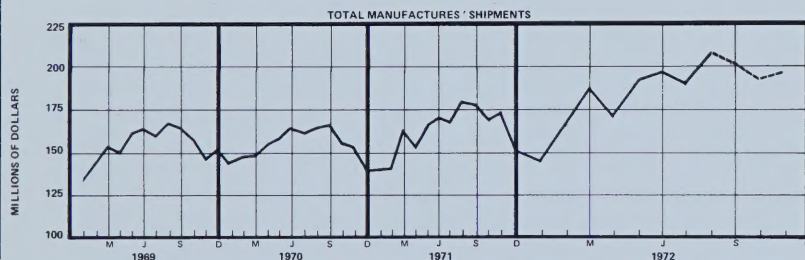
EMPLOYMENT

A marginal decline in the labour force was recorded in October, as forecast in last month's report. However, total employed declined more than was expected. October's unemployment rate was 3.7 per cent, total labour force declined to 694,000 and total employed approached 667,000. For November, the unemployment rate is expected to be close to 4.1 per cent with a labour force of 686,000 and total employed of 658,000, reflecting seasonal declines in the labour force and total employed. Prospects for December are for further seasonal declines as the weather becomes more severe.



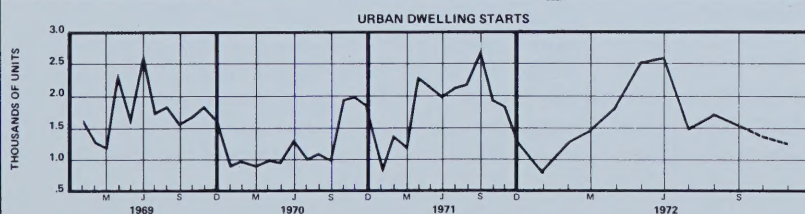
RETAIL TRADE

Total retail trade to the end of August, 1972, is recorded at \$1,745 million, an increase of 14.7 per cent over the same period in 1971. Preliminary results for September indicate a total of close to \$227 million, to be followed by forecast totals of \$246 and \$245 million, for October and November, respectively. December's total should be substantially above that expected in November due to Christmas purchases.



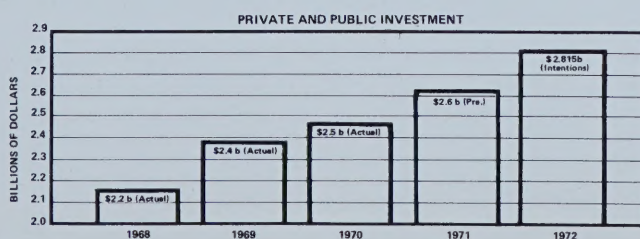
MANUFACTURERS' SHIPMENTS

Continued strength in the total value of shipments in coming months is anticipated, with October and November totals to be close to \$195 million and \$198 million, respectively. September's forecast total of \$202 million is expected to be surpassed due to the strong demand for Alberta manufactured goods. The value of shipments for December will be reduced as part of the usual seasonal declines during the winter months.

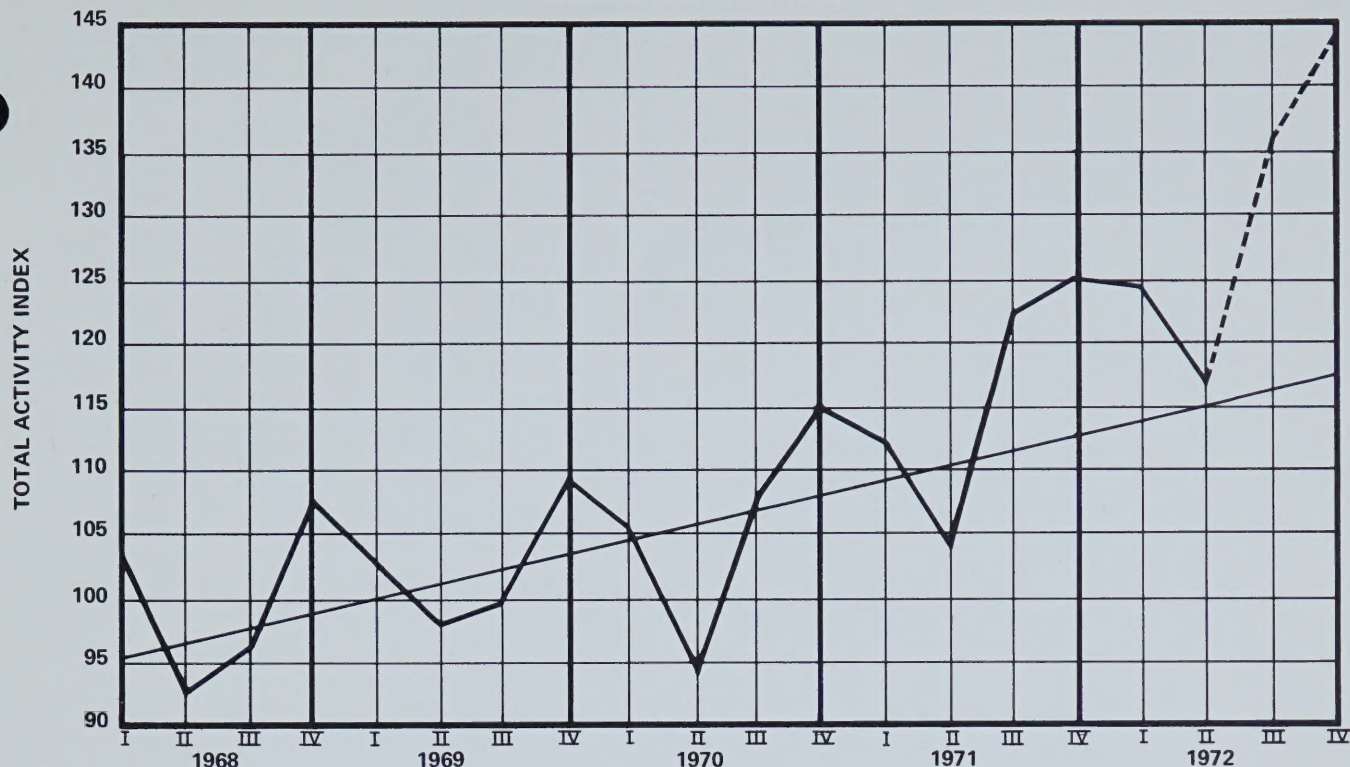


HOUSING

September's urban dwelling starts in Alberta totalled 1,513, 40 per cent below the same month last year. Total starts to the end of September declined by nearly 12 per cent from the same period in 1971, presumably due to a substantial decrease in the number of multiple unit starts. This trend is expected to continue in the last quarter of 1972 accompanied by the usual seasonal slowdown in activity during the winter.



ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity	
	Total Year 1971 - 1970	Year to Date 1972 - 1971
MANUFACTURING		
Slaughtered Meat Production	+13.6	+22.8 (Jan. - Aug.)
Slaughtered Meat Exported	+12.6	+ 8.8 (Jan. - Aug.)
Refinery Production	+10.7	+30.9 (Jan. - Aug.)
Cement Production	+ 4.5	+ 5.0 (Jan. - Sept.)
MINING		
Oil Production	+ 9.4	+19.3 (Jan. - Aug.)
Gas Production	+10.1	+14.2 (Jan. - Aug.)
Footage Drilled	+ 1.8	+24.2 (Jan. - Aug.)
Number of Wells Drilled	+ 9.6	+24.3 (Jan. - Aug.)
Coal Production	+31.7	+22.3 (Jan. - Aug.)
CONSTRUCTION		
Urban Dwelling Starts	+54.0	- 11.4 (Jan. - Sept.)
Rigid Insulation Board Shipments to Alberta	+15.6	+10.0 (Jan. - Aug.)
Metal Shapes Shipments (Est'd)	- 4.0	+ 8.5 (Jan. - Aug.)
AGRICULTURE		
Grain Shipments	+ 8.8	- 7.6 (Jan. - Oct.)
Livestock Marketed	+15.1	- 0.5 (Jan. - Sept.)
Farm Cash Receipts	+ 9.8	+14.3 (Jan. - Aug.)
FORESTRY		
Lumber Production	+ 6.1	+ 5.7 (Jan. - Aug.)
Lumber Sales	+34.7	- 4.1 (Jan. - Aug.)
Lumber Exports	+26.5	+ 6.7 (Jan. - Aug.)
Pulpwood Production	-34.9	+219 (Jan. - Aug.)

	OCTOBER 1972	SEPTEMBER 1972	OCTOBER 1971	SEPTEMBER 1971
UNEMPLOYMENT RATE (Unadjusted)				
Canada	5.2	5.4	5.1	5.0
Alberta	3.7	3.3	3.7	3.1
CONSUMER PRICE INDEX (1961 = 100)				
Canada	142.0	141.8	134.9	134.7

ALBERTA — INTERNATIONAL AFFAIRS

According to figures published by the U.S. Agency for International Development based on 1971 data and 1970 U.S. dollar values, Canada placed third behind the United States and Sweden among the top 20 wealthiest nations, as measured by **total national output per person**. But according to the annual rate of increase in this measure of standard of living over the past decade, Canada tied for eleventh, far behind the leader, Japan, which recorded an average annual increase of 9.5 per cent, compared to 3.4 per cent for Canada and 2.7 per cent for the United States.

JAPAN

The **Japanese Balance of Payments** surplus continues to grow, apparently unchecked by recent Japanese attempts to increase imports, decrease exports, thus reducing the surplus and relieving the pressure for further revaluation of the yen. Japan's surplus has more than doubled since September, 1971. The gap between the import and export values has become so wide that a large percentage gain in imports can easily be offset by a considerably smaller advance in exports. It has been reported that Prime Minister Tanaka is considering an across-the-border tariff cut of 20 per cent, lowering of interest rates on import financing, and abandoning tax incentives for exports to avoid further revaluation. However, even these measures may be insufficient, and too late, to prevent the eventual revaluation of the yen likely to occur during 1973.

UNITED STATES

Confidence in the U.S. dollar is increasing on European foreign exchange markets, even though the U.S. trade deficit this year will be the largest ever. U.S. Commerce Secretary, Peter Peterson, feels the U.S. is moving towards a recovery in its balance of payments position, but adds that it will probably take two to three years before the full impact of last December's devaluation of the dollar is realized. Mr. Peterson expects that the United States will realize a balance of trade surplus in manufactured goods by next year.

POUND STERLING

Persistent inflation and other economic problems in Great Britain coupled with increasing strength in the U.S. dollar led Great Britain to **float the pound** from its previously pegged value of \$2.60 (U.S.) last June. By October 31, the pound had fallen to \$2.3350 (U.S.), a decline of slightly more than 10 per cent, and on October 28, the pound actually reached a record low of \$2.3210 (U.S.). Prime Minister Edward Heath had asked labour and indus-

try leaders for **voluntary wage and price restraints** to help curb inflation, but the breakdown of these negotiations forced the Prime Minister to announce a 90-day freeze on wages, prices, rents and dividends in Britain, effective November 7, 1972. There is provision in the legislation to extend the freeze for a further 60 days. This option is likely to be exercised in light of current inflationary pressures. If the inflationary problems can be checked or eased somewhat, the Associated Press feels Britain will again peg the pound when its value approaches \$2.40 (U.S.).

BUSINESS OUTLOOK

The Toronto Dominion Bank's economic forecast for 1973, published in the fall issue of **Canada's Business Climate**, predicts continued expansion of the Canadian economy at a rate similar to that experienced in 1972. More specifically:

- **GNP** will rise to \$115 billion in 1973, or by about 11 per cent.
- **Real growth in output** in 1973 will likely exceed 1972's strong 6.5 per cent gain.
- Substantial growth in **business investment** in plant and equipment in 1973.
- A rise of 15 per cent for both **non-residential construction and purchases of machinery and equipment** is expected for 1973.
- **Canadian exports** should rise by about 15 per cent, but **imports** may also rise by an equivalent amount, leaving a current account deficit in 1973 of approximately \$800 million.
- **The Canadian dollar** will not likely move higher and indeed may trade closer to par with the U.S. dollar.
- There will be little improvement in Canada's high **unemployment** rate for 1973; despite strong employment gains, the labour force will continue to grow rapidly.
- **Prices** are expected to rise less rapidly in 1973, not much better than this year's 4.7 per cent increase, but nevertheless one of the lowest increases amongst industrialized countries.

Forecasts from the Institute for the Quantitative Analysis of Social and Economic Policy, University of Toronto, and Professor Seymour Friedland, of York University, generally agree with The Toronto Dominion Bank's predictions. Minor differences in predictions of absolute growth for the economy are present, but the consensus is that the **Canadian economy** will continue to grow in 1973. The forecasts also project a modest reduction in the **unemployment rate** in 1973, accompanied by a slight decline in the growth rate of **inflation** in Canada.

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